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**Information Technology Outsourcing (ITO)
Market Update: September 2010 – Preview Deck**

**Topic: Remote Infrastructure Management – “RIMO
Strategy – Stick to the Basics, but Fine-tune too”**

Background of the research

- The infrastructure outsourcing (IO) model is going through a paradigm shift. The convergence of Remote Infrastructure Management Outsourcing (RIMO) and the traditional infrastructure outsourcing model in recent years is a noticeable development
- The economic downturn impacted both the offshore and traditional suppliers. Despite the downturn, offshore suppliers exhibited significant growth, unlike the multinational (MNC) suppliers. This shows that they executed a different strategy than the earlier one where they were converging with the MNCs
- Offshore suppliers should not attempt to imitate traditional suppliers and should focus on their core competence of streamlined low-cost service delivery and ease of business with the buyers
- The RIMO model has certain fundamentals that the offshore suppliers need to continuously fine-tune to keep growing their infrastructure business

The scope of analysis includes

- Overview of the RIMO market
- IO market share of various offshore players
- Analysis of strategy adopted by offshore players to grow in the recession
- Analysis of key fundamentals of the RIMO model and road ahead for offshore suppliers



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Overview and abbreviated summary of key messages

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This report analyzes key trends in the Remote Infrastructure Management Outsourcing (RIMO) market. It analyzes the fundamental value levers in various Infrastructure Outsourcing (IO) models and how RIMO model offer different value to the buyers compared to its traditional counterpart. It presents a trend on earlier convergence of RIMO model and traditional model, and how the recession made RIMO suppliers to refocus on their unique characteristics and hence diverge from the traditional IO model. The report discusses the strategy RIMO players need to adopt to continue their growth without compromising on fundamentals of the RIMO model.

Market update

- Offshore suppliers are recovering from the recessionary phase and appear set for significant growth in the coming year
- Tier-1 offshore suppliers have increased their market share despite signing fewer large infrastructure deals. We believe they will further increase their market share in 2011
- The RIMO model is gaining wide acceptance and more number of high value infrastructure deals have offshore delivery in scope, even for the traditional suppliers

Basic tenets of RIMO

- The RIMO model fundamentally focuses on ease of business, transparent pricing, simpler SLAs, and incremental optimization to provide services without major disruption
- The fundamental tenets of RIMO have given certain characteristics to the RIMO model. The challenge for offshore suppliers is to grow their infrastructure business without compromising on these tenets

Overview and abbreviated summary of key messages

(page 2 of 2)

Going back to RIMO basics in recession

- In recent years, offshore suppliers appeared imitating the traditional infrastructure outsourcing model in terms of pricing, buyer segment and scope
- The inherent flexibility of the RIMO model, allowed the offshore suppliers to tweak their strategy during the recession and go back to the tried and tested basic characteristics of RIMO model
- The basics of RIMO helped the offshore suppliers to post solid growth in their infrastructure business, unlike their MNC counterparts, which saw a decline

Fine-tuning and sticking to the basics of RIMO

- The infrastructure outsourcing business is undergoing a paradigm shift. The buyers are not inclined to get into mega deals of long durations that involve complex and risky transformation
- Offshore suppliers need to maintain their differentiation of simple engagements with the buyers and should not become a poor imitation of large suppliers. They need to fine tune their RIMO basics to provide the next growth impetus to their infrastructure business

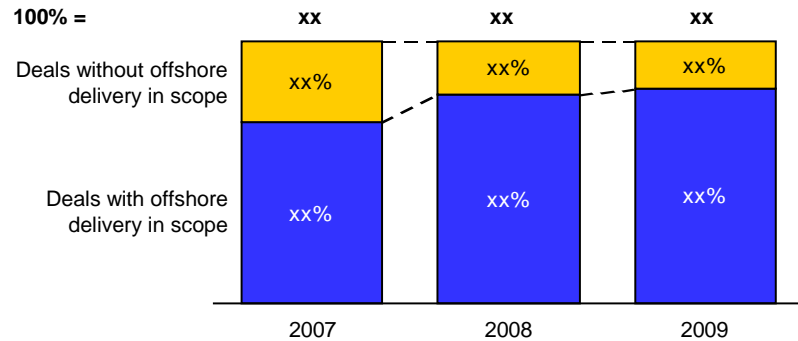
This study analysis buyers' reasons to deploy desktop virtualization, hindrance towards adoption, ROI and upfront costs needed for VDI



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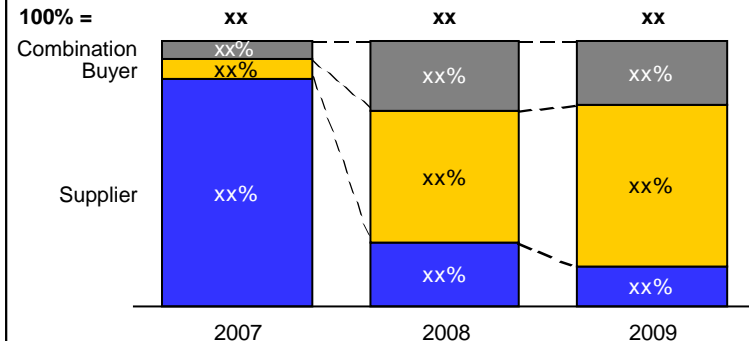
Offshore delivery gaining prominence in IO

Proportion of large infrastructure deals with offshore delivery in scope
Number of deals



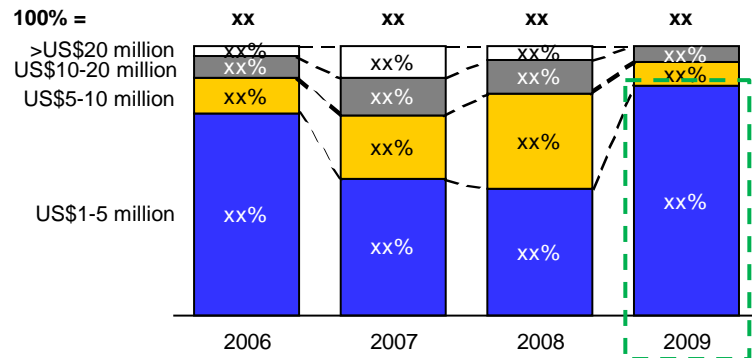
Buyers are more willing to own assets

Asset ownership distribution in high-value infrastructure outsourcing deals
Number of deals



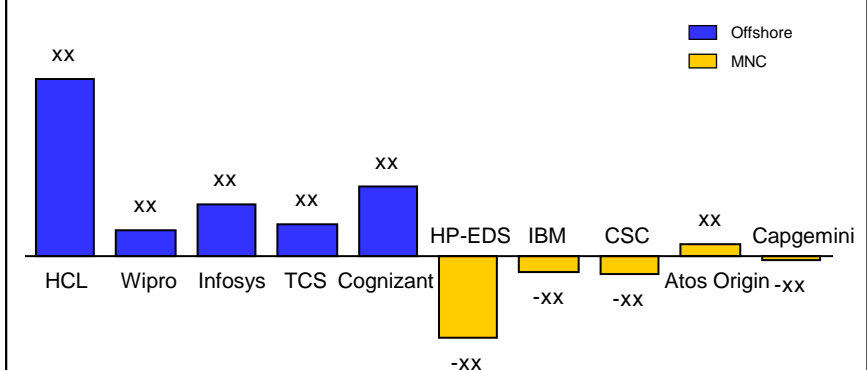
RIMO players went back to signing smaller deals

IO deal size (ACV) distribution for offshore suppliers
Number of deals



MNCs saw decline, RIMO players saw growth

Growth rate of infrastructure business for Tier-1 offshore and MNC suppliers
Percentage



Source: Everest Research Institute (2010)

The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content which may be of interest

- 1. Hype and Reality of Cloud Computing – “Mind the Gap!”** (ERI-2010-4-R-0402a); 2010: The hype surrounding cloud computing is increasing every day. Various services, even traditional outsourcing are being dubbed as “cloud” services by the service providers. This research piece builds a business case for cloud services over a traditional and a virtual datacenter environment. It suggest strategies for buyers and service providers to adopt cloud computing. The concept of “Operations as a Service” is discussed in detail. It also provides a brief overview of cloud capabilities of various ITO service providers and discusses various scenarios which are possible for cloud computing adoption in the future
- 2. Remote Infrastructure Management – Impending Crisis of Genre** (ERI-2009-4-R-0360); 2009: The Infrastructure Outsourcing market continues to evolve with offshore suppliers maturing as infrastructure service providers, enabled by remote infrastructure management technology. As offshore suppliers mature and reach critical size, they see the need to target larger buyers to keep growing their RIMO practice at a healthy pace. However, it meant they had to start playing by rules long established by the traditional players. Offshore suppliers may now be facing a “crisis of genre” that could restrict their growth unless they strike a balance between targeting large buyers and staying away from playing according to traditional rules

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